

**Testimony of Dr. Alan Baumgarten
To the U.S. House of Representatives
Committee on Small Business
August 30, 2007**

I am grateful to the Honorable Representatives Heath Shuler and David Davis for inviting me to present at this meeting.

My name is Doctor Alan Baumgarten. I am a Family Physician in private practice for more than twenty years with the Asheville Family Health Centers. I wear a few additional hats in that I am Vice Chief of Staff at Mission Hospital representing more than 650 physicians and 300 allied health professionals on medical staff in the system. I am also the physician representative from the Buncombe County Medical Society on the Asheville-Buncombe Business Health Care Roundtable. I believe that from each of these positions I have an important and unique view on the issues related to the problems of the uninsured small business employee.

I will be addressing issues of the uninsured small business employee from the perspective of :

1. The doctor – patient relationship,
2. Physicians in private practice and
3. The Business Healthcare Roundtable

The opening line from a very recent New York Times editorial reads something like this: **“Many Americans are under the delusion that we “have the best health care system in the world”**. It is fast time that we stop deluding ourselves and face the facts; our American health care system is not the best in the world and it is nearing a crisis. A recent study conducted by the Commonwealth Fund comparing the United States and other advanced nations found that we were at the bottom of most measures when compared to Austria, Canada, Germany, New Zealand and the United Kingdom. In the area of quality, The Commonwealth Fund gave the United States (US) high marks for providing “the right care” for a given condition and especially high marks for preventive care services for Americans with insurance. However, the US scored poorly for management of chronic disease and patient safety driving our overall quality measure to the bottom of the list. Though the US got high marks for breast and cervical cancer survival, we were again at the bottom of the list for management of transplants, circulatory diseases and respiratory diseases. We are at the bottom of the list for infant mortality, life expectancy and mortality for a wide range of major illnesses that would not be fatal if treated in a timely manner. We have done better than most in curbing smoking though obesity is at epidemic proportions.

Health care is also facing a major financial crisis. The US is spending more than 16% of our GNP on health care and this figure is rising. In US, we spend more than twice per person than any other country in our comparison group and in spite of this huge expense, more than 45 million Americans are without health insurance coverage. US Census Bureau information indicates that more than half of the uninsured are working Americans in an employment-based coverage system and working Americans make up the fastest growing segment of the uninsured.

We must face the facts, we spend more on each American for health care and we are anything but the “best in the world”. Where is the value in our health care system? Is this really a **system** or just a rag

tag approach, pasted together after World War II? Are we currently doing anything that truly addresses these system failures? The current system is not sustainable.

You have asked me to address health issues of the uninsured small business employee and I will certainly do that. But that discussion must take place in the context of a much broader crisis facing our Nation's health care "system".

In my Practice, some of the greatest health care disasters are occurring for uninsured working Americans, citizens working in our communities small businesses. The following are a few cases examples of the personal crisis's that we face everyday in family practice:

Pam is a Nursing Assistant employed for the last ten years with a family practice group located in Asheville. Her employer is a small business that is facing rising overhead and steeply rising health insurance premiums. Overhead for family practice is already amongst the highest for all specialties in medicine with some of the lowest profit margins and the rising cost of employee health care is adding to the problems of managing their small businesses. In Pam's case, her employer has been trying to keep down the cost of their health care premiums and each year they have been making changes in there plan; reducing benefits, increasing deductibles and asking their employees to covering a growing share of the premium costs. This year Pam's employer said they would no longer be covering the premium costs of family members. The benefit would be available to Pam but the premium expense would be taken from her salary and Pam concluded that she could not afford this extra expense given the tightness of her budget. As a result; Pam has dropped her health insurance coverage for her 8 and 10 year old children. She earns too much for Medicaid and her children are currently without insurance coverage.

Susan is a patient in my practice. She is fifty –six years old, has a history of breast cancer now ten years in remission and works at a local child day care center. This is not a high paying job and her employer is a small business that actually does provide a health insurance benefit. Her plan has a \$5000 deductible for catastrophic and acute problems and no preventive coverage. In spite of this, Susan comes each year for her annul health maintenance examinations including pap smears, blood profiles, chest x-ray and mammogram. Susan has a nagging fear of a cancer recurrence so she tries to keep up her surveillance and pays for all of these services "out of pocket". Susan recently came to see me with a new problem, headache with dizziness. She was concerned that her cancer was back and had spread to her brain, a common route for breast cancer metastasis. I examined Susan and found no focal neurological signs and tried to re-assure Susan that I did not think her headaches were caused by a return of her cancer. I suggested a few simple measures/remedies related to her allergies. Susan returned two weeks later with continuing dizziness and nagging headaches. I tried to keep Susan focused that this was most likely a benign process though down the list in my differential diagnosis was a metastasic brain lesion. I knew that Susan was going to need a CT scan of the brain to eliminate this as a cause of her problem and for Susan, this was going to be a big expense. However, I also knew that Susan had some arthritis in her spine and sometimes her headaches radiated to her neck. I stepped up her arthritis management and reviewed with Susan a series a neck exercises that she was to do twice daily hoping that this would solve her problem. Susan came back the following month distraught, her neck felt better but she was still having problems with dizziness and recurrent headaches. She wanted the CT scan at any cost because she could not shake the fear that a recurrence

of breast cancer was causing her headaches. Her fear was affecting her work and her home life. Her CT scan was normal at an “out of pocket” cost of \$1200.

Don is a fifty-nine year old male who was working as a repair technician for a major office equipment company when he was diagnosed with a rare abdominal sarcoma. His employer was a large multi-national corporation and provided good health care benefits that helped Don with most of his medical expenses during this ordeal. However, the time from diagnosis to surgery, chemotherapy and recovery was many months and Don was unable to work during this entire period. When Don was ready to return to work, his employer no longer had a position for him. Don knew he was able bodied and skilled so he started his own office equipment repair service and stayed on a COBRA health plan as long as he could. When his COBRA expired, Don went out into the open insurance market and could find no carrier who would provide insurance coverage; his cancer risk was too high. Don continued to work and did well for at least another year when his abdominal pain returned and the CT scan confirmed his worst fear, that of a cancer recurrence. After another surgery and more chemotherapy, Don cannot work and he is unable to get health insurance through his wife's plan. Don and his wife are broke; they have huge medical debts and are about to lose their home.

Carmen is my saddest case of all. She is a twenty-two year old female who since she was nineteen has worked as an office receptionist in a small business without health insurance. After high school, Carmen spent a full year in Charlotte caring for her father as he died from liver cancer. At twenty, Carmen was pregnant and engaged to be married when two days before Christmas her fiancé was killed by a drunk driver. The following February, Carmen gave birth to a healthy baby boy who died on month later of SIDS. How much tragedy can one women stand? However, Carmen did remarkably well. Though for a while she was too distraught to work, she qualified for Medicaid benefits and received some very supportive counseling. After approximately one year she felt well enough to re-enter the work force. She was an excellent employee so her previous employer actually gave her another job, clerical office work without health benefits. Carmen did just fine for about six months when she came to see me for her routine annual preventive care that typically includes a pap smear and brief physical examination that Carmen pays for as an “out of pocket” expense. But this time, Carmen’s examination was not normal; I found a lump on her thyroid gland that after biopsy was confirmed to be a thyroid cancer requiring I-131 radiation treatment. Carmen had two choices, quit her much needed job and again go on Medicaid or find some other means of getting her treatments. After much discussion with Carmen and her therapist, all agreed that it was best for Carmen to keep her job. As a result, I spent many hours of uncompensated time cobbling together a plan that included getting a pharmaceutical company provide the I-131 as charity, getting the hospital to provide Carmen’s four day stay as charity benefit and a specialty physician to administer the I-131 as charity care. Today, Carmen is doing well.

These are four real world cases that demonstrate how our employer-based health care system is failing us. This is the patient side of the dilemma; the dilemmas facing employees of small businesses who are unable or cannot afford health insurance. However, the lack of adequate health insurance coverage for employees of small businesses also results in other huge consequences for society and our health care system:

1. Having no preventive health care benefits means that most illnesses are diagnosed later in their natural history and will typically result in higher medical management costs;
2. Acute care is often delayed until a simple problem becomes more serious and results in more complicated care, hospitalization and increased costs and

3. Lack of insurance is often associated with lack of access to Primary Care services. This leads to patients who obtain their routine primary medical care in inappropriate facilities, namely the local Emergency Room resulting in increased cost for routine.

For more severe, complicated and catastrophic illnesses, the uninsured patient often will end up receiving charity care from the hospital and the physicians caring for them. Western North Carolina has higher rates of uninsured (22%) when compared to all of North Carolina (17%) and the Nation (15.7%) as a whole. Adding to our Community's burden of charity care is a higher than average percentage of Medicare and Medicaid patients. For both hospitals and physicians, typical Medicare and Medicaid reimbursements are below cost. In 2005, 65% of Mission Hospital's revenue came from Medicare, Medicaid and self-pay. This resulted in losses from Medicare of \$39 million, Medicaid \$13 million and self-pay/charity of \$20 million totaling \$72 million. To offset these losses, our local hospital and physicians have been "cost shifting"; using the better reimbursements from the private health insurance plans to offset the losses from charity and the below cost reimbursements provided by Medicare and Medicaid. As you can imagine, cost shifting cannot go on forever. As the size of the private health insured population is decreasing, cost cutting options are getting slimmer and reimbursements from the private health insurance companies are also shrinking. Cost shifting is fraught with another set of problems. It tends to cause the private health insurance plans to raise the rates they charge to our local businesses which raises the cost of doing business in our community. It is a vicious cycle.

To address these concerns, leaders from Asheville, Buncombe County and Western North Carolina have formed the Business Healthcare Roundtable, a group of community leaders representing healthcare (hospital and physicians), business and civic interests. The Roundtable has come together "to find and implement a solution that reduces the ever-increasing cost of healthcare and health insurance so that all residents will have access to affordable medical treatment and health insurance coverage while at the same time continuing to assure that high quality healthcare services are available to all citizens of Western North Carolina". The focus of the Roundtable is on four areas: 1) Encourage development of affordable insurance products for small businesses, 2) Advocate for appropriate payment from government payers to end cost shifting, 3) Emphasize community health promotion, prevention and wellness and 4) Advocate for medical liability reform.

Has this group solved our Community's health care crisis? No, but at least we are working together to study the problem, to look for local solutions and ways to more effectively lobby for change. The Roundtable committees are actively researching and educating Roundtable members in these key areas of health care crisis and we are on our way to implementing a local health promotion initiative with the hopes for getting Asheville designated as a "Healthy Community". However, solving our communities' larger crises of health insurance for small businesses remains elusive. As we continue to work on local solutions for the uninsured and community health promotion, we are continuing to lobby our local representatives for legislation that improves reimbursements from government payers and medical liability reforms.

We need some help.

Our health care system is in crisis and it is not just a crisis for the uninsured employee of small businesses. Yes, there are options on the table for this population:

1. There are proposals in the North Carolina legislature to allow for large risk pooling of small businesses to lower their rates. But will this be enough incentive for these small businesses to

offer health plans to their employees and will employees feel as though they are able to afford these plans?

2. States and local governments are looking at new and creative funding sources for small business health plans. Will the small businesses and their employees be required to participate?
3. Will Medicare and Medicaid continue to cut rates so that hospitals and physicians are reimbursed at below cost rates?

The American health care system needs your help, it is not sustainable.

We need leadership from Washington on these issues so that all citizens have at least a basic level of health care coverage.

We need our leaders to step up and address the health care crisis on a National level where there needs to be incentives and requirements to provide health insurance for all Americans.

We need our leaders to consider national health plans that provide clear incentives for healthy lifestyles, wellness care and preventive services.

We need health insurance plans that encourage integration of services to reduce duplication and improve efficiency.

We need health insurance plans that measures, encourages and reward quality.

We need health insurance plans that provide coverage for Mental Health services.

We need health insurance plans that provide reimbursements that meet the cost of care for hospitals and physicians.

We need health insurance plans that reduce bureaucracy, administrative costs and middleman profits.

We need our leaders to help us to achieve health insurance that fully, fairly and efficiently covers all Americans.

We should settle for nothing less.

Thank you.

Alan S. Baumgarten MD, MPH